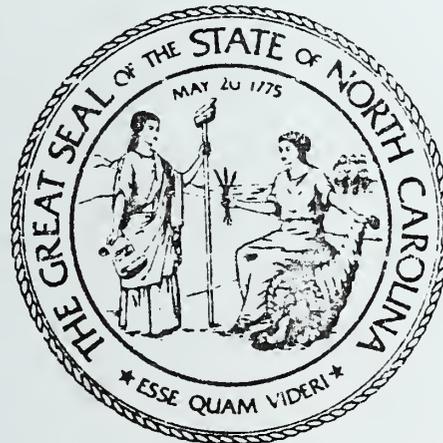


# LEGISLATIVE RESEARCH COMMISSION

Permanent File Copy  
not to be taken  
from Library

REPORT  
TO THE  
1975

GENERAL ASSEMBLY OF NORTH CAROLINA  
SECOND SESSION 1976



## PRISON ENTERPRISES

RALEIGH, NORTH CAROLINA



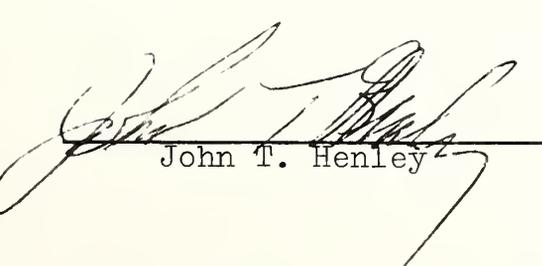
STATE OF NORTH CAROLINA  
LEGISLATIVE RESEARCH COMMISSION  
STATE LEGISLATIVE BUILDING  
RALEIGH 27611

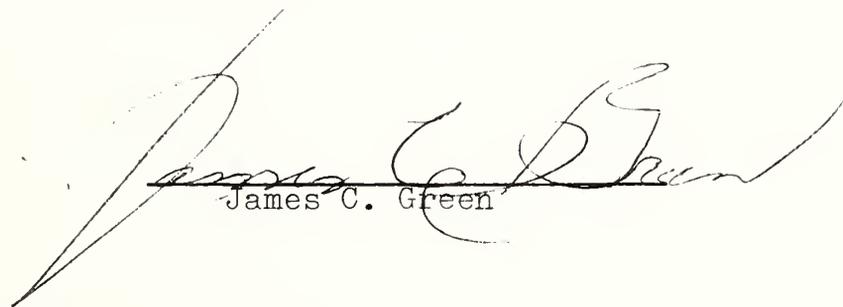


TO THE MEMBERS OF THE GENERAL ASSEMBLY:

The Legislative Research Commission herewith reports to the 1975 General Assembly (Second Session, 1976) the findings and recommendations of its Committee on the Prison Enterprises Division of the Department of Correction. This study was authorized by Chapter 851 of the 1975 Session Laws and this report was approved at the June 1, 1976, meeting of the Legislative Research Commission.

Respectfully submitted,

  
John T. Henley

  
James C. Green

Co-Chairmen

Legislative Research Commission



Digitized by the Internet Archive  
in 2013

<http://archive.org/details/prisonenterprise00nort>

## TABLE OF CONTENTS

|   | Page |
|---|------|
| Letter of Transmittal   | i    |
| Preface   | v    |
| Committee Proceedings   | 1    |
| Findings  | 5    |
| Recommendations   | 13   |
| Appendices  |      |
| A. Introductory Package of Materials                            |      |
| B. List of Persons Appearing Before the Committee               |      |
| C. Chapter 730 of the 1975 Session Laws                         |      |
| D. Opinion of the Attorney General                              |      |
| E. Furniture Production and Projection Tables                   |      |
| F. G.S. 148-70  |      |
| G. Balance Sheet of Prison Enterprises - Fiscal<br>Year 1974-75 |      |
| H. Legislative Proposal I                                       |      |
| I. Legislative Proposal II                                      |      |
| J. Legislative Proposal III                                     |      |
| K. Legislative Proposal IV                                      |      |



## PREFACE

The Legislative Research Commission, authorized by Article 6B of Chapter 120 of the General Statutes, is a general-purpose study group. The Commission is co-chaired by the Speaker of the House and the President Pro Tempore of the Senate and has five additional members appointed from each house of the General Assembly. Among the Commission's duties is that of making or causing to be made, upon the direction of the General Assembly, "such studies of and investigations into governmental agencies and institutions and matters of public policy as will aid the General Assembly in performing its duties in the most efficient and effective manner" (G.S. 120-30.17(1)).

At the direction of the 1975 General Assembly, the Legislative Research Commission has undertaken studies of twenty-nine matters. These studies were divided into ten groups according to related subject matter. The Co-Chairmen of the Legislative Research Commission, under the authority of General Statutes 120-30.10(b) and (c), appointed committees to conduct the studies, the committees consisting of members of the General Assembly and of the public. Each member of the Legislative Research Commission was given responsibility for one group of studies, and served as chairman of the committees appointed within his area of responsibility. Co-Chairmen, one from each house of the General Assembly, were designated on each committee.



## I. COMMITTEE PROCEEDINGS

Senator Glenn Jernigan and Representative Edward Holmes, Co-Chairmen of the Legislative Research Commission Committee on the Prison Enterprises Division of the Department of Correction (hereinafter referred to as "the Committee"), held an organizational meeting on October 2, 1975, in the Legislative Building. At that time they discussed their views of the broad parameters of the subject to be studied by the Committee. At their direction, the staff prepared a package of materials to be sent to each member of the Committee prior to the first full Committee meeting. The package contained a list of questions transmitted to officials of the Department of Correction; membership lists of the Legislative Research Commission and the Committee; charts illustrating the organization of the Legislative Research Commission and the Committee's position in that organization; and a copy of House Resolution 1265 of the 1975 General Assembly which, although not ratified, was to give the Committee some guidance in the task before it. (See Appendix A for materials contained in the package.)

The first full meeting of the Committee was held on November 24, 1975. (All meetings were held in the Legislative Building.) The members discussed the circumstances which had given rise to this study, and laid out, in broad terms, the data they wished to gather in the course of their investigation. The Committee heard testimony from representatives of stainless steel fabricators who complained of unfair competition by the Prison Enterprises Division with their businesses. (See Appendix B for a list of persons appearing before the Committee.)

Representatives of the Department of Correction also appeared at this meeting. They gave a general description of the current operations of the Prison Enterprises Division and responded to the questions addressed to the Department of Correction at the direction of the Co-Chairmen prior to the meeting.

The second Committee meeting was held on January 20, 1976. The Committee heard from representatives of the North Carolina Hospital Association and the North Carolina League of Municipalities with respect to purchases made by these organizations from the Prison Enterprises Division. The Committee discussed, and attempted to evaluate, the benefits accruing to all citizens of North Carolina through cost savings on items purchased from Prison Enterprises.

The Committee also heard testimony from representatives of the Government in Business Council, Inc., an organization of businessmen concerned about what they consider to be illegal competition by government with private industry. The Council is composed primarily of persons in various branches of the furniture industry.

The Committee discussed Senate Bill 806 (Chapter 730 of the 1975 Session Laws, a copy of which may be found in Appendix C) which had placed certain restrictions upon the operations of the Prison Enterprises Division. As some of the language of the statute was ambiguous, the Committee directed the staff to request an opinion from the Attorney General explaining what was required by the new enactment. The Committee also discussed the necessity of Prison Enterprises operations meeting OSHA and building code requirements.

The third Committee meeting was held on February 19, 1976. The Committee heard from a member of the staff of the Office of the State Auditor. He described the regular audit practices of his office with respect to the Prison Enterprises Division, and explained the financial relationship between Catawba Valley Technical Institute and the Prison Enterprises Division. Catawba Valley Tech conducts the training program for furniture manufacturing at Statesville.

The Committee had requested that a representative of the American Institute of Architects appear and explain bidding practices for projects in which some of the goods are purchased from the Prison Enterprises Division. Such a representative appeared at this meeting.

An opinion of the Attorney General explaining the requirements of Senate Bill 806 (Chapter 730 of the 1975 Session Laws), which had been requested by the Committee at the previous meeting, was presented by a member of the Attorney General's staff. The Committee discussed the opinion and, by resolution, directed that a copy of the opinion be sent to each member of the Advisory Budget Commission. (See Appendix D for the text of the opinion of the Attorney General.)

Representatives of the Department of Correction were again present and responded to a number of questions that had been forwarded to them as a result of Committee discussion at the previous meeting. The Committee explored in detail the financial structure of the Prison Enterprises Division. Special attention was given to the furniture manufacturing training program at

Statesville. The Committee raised questions concerning the objectives of the Prison Enterprises Division, both as seen from the stated views of Department of Correction officials, and as evidenced by the operations conducted by the Division. The Committee also explored the limits of the "Revolving Fund" administered by the Department of Correction from revenues generated by the Prison Enterprises Division.

The fourth Committee meeting was held on March 11, 1976. The Committee investigated purchases of equipment by Catawba Valley Technical Institute for use in the furniture manufacturing training program at Statesville. Representatives of the Department of Community Colleges were present to explain the purposes of the Community Colleges Equipment Fund and the procedures followed in making expenditures from the Fund. Representatives of Catawba Valley Technical Institute also appeared at this meeting. They explained the school's involvement with the furniture program at Statesville. The Committee discussed with them the philosophy behind such a training program and the school's attitude towards the production of goods as a necessary offshoot of a training program.

The Committee reviewed materials that had been provided by the Department of Correction at the Committee's request and concluded that all materials that they had wanted to review on the Prison Enterprises Division had been placed before them. They outlined the recommendations which they wished to report to the General Assembly, and directed the staff to commence drafting the appropriate legislation.

## II. FINDINGS

The Legislative Research Commission Committee on the Prison Enterprises Division of the Department of Correction, after considering the presentations made before it and evaluating the structure, procedures, and operations of the Prison Enterprises Division, makes the following findings:

1. In the furniture manufacturing training program, and the stainless steel fabrication operation, the Prison Enterprises Division poses a significant threat to private enterprise.

The Committee heard a great deal of testimony with respect to these activities. Training in stainless steel fabrication and furniture making equips an inmate with a valuable skill upon his release into society. The Committee feels that the value of these programs in terms of vocational training is limited by the small number of participating inmates and that steps must also be taken to protect the private sector in each of these fields.

Catawba Valley Technical Institute, which provides the instructors for furniture manufacturing at the Statesville installation, runs a duplicate training program at its campus in Hickory. The Committee found that Catawba Valley Tech had run their training program for years without producing sufficient volume to endanger the commercial market. The Committee feels that under the proper supervision, the Prison Enterprises operation could be similarly run. Without appropriate controls, however, the capacity exists at the Statesville plant to produce

enough furniture to have a detrimental competitive effect on private industry. While the number of pieces produced to date, and official projections for future production, do not seem inordinately high, the Committee has received sufficient evidence to call into doubt whether the maximum projected production would be adhered to. (See Appendix E for tables of pieces produced and projected future production.)

With respect to stainless steel fabrication, the Committee found the situation to be somewhat different, but nonetheless threatening to private enterprise. The stainless steel manufacturing industry in North Carolina depends greatly on contracts with public entities, such as schools and hospitals, with which Prison Enterprises is authorized to deal. (See Appendix F for G.S. 148-70 relating to Prison Enterprises.) In at least two instances that were brought to the attention of the Committee, large portions of the fabricated stainless steel needed in the construction of a school cafeteria were omitted from bid requests sent out by the architect in charge because these items were being provided by Prison Enterprises. The Committee finds this type of intrusion by state government into private enterprise to violate the statutory principle against government engaging in business.

2. The fiscal structure of the Prison Enterprises Division renders scrutiny by the General Assembly extremely difficult.

The Prison Enterprises Division has grown over the years into a very large business operation. The balance sheet for

fiscal year 1974-75 submitted to the Committee by the Department of Correction shows receipts of \$23,937,557 and a profit of \$1,574,389. For that same year, the fixed assets were over \$5,000,000 and the inventory over \$6,000,000. (See Appendix G for balance sheet.)

Although a great deal of time was devoted to studying the "Revolving Fund," the Committee still found it difficult to understand. The financial structure is inordinately complex and convoluted. When the General Assembly has been called upon to appropriate money to Prison Enterprises, the requested appropriation has been justified by the needs of the particular program involved, not the well-being of the Fund as a whole. Because it generates a profit, the Prison Enterprises Fund has seldom received the close scrutiny by the General Assembly which the Committee feels it deserves. The Committee feels that this financial structure should be simplified so as to make it more amenable to examination by the General Assembly.

The Committee found that the "Revolving Fund" is broader than what is normally thought of as the Prison Enterprises Division. The "Revolving Fund" owns approximately 1200 motor vehicles, most of which it leases to the Division of Prisons. In fiscal year 1974-75, the leasing of vehicles resulted in a loss of \$104,743. This loss has serious implications for the budgetary process. The General Assembly assessed the needs of the Department of Correction with respect to motor

vehicles and made an appropriation in accordance with this assessment. The Department then spent in excess of \$100,000 more than this appropriation. This over-expenditure merely showed up as a loss on one line item within the "Revolving Fund." In effect, the "Revolving Fund" has subsidized the Department of Correction's budget. Obviously, the financial structure of the Prison Enterprises Division permits an autonomy for the entire Department of Correction not enjoyed by other state agencies. There must be some simplification of this structure which will both enable the General Assembly to deal meaningfully with it, and return the final decision-making authority to the General Assembly.

3. The activities of the Prison Enterprises Division must be viewed in light of the purposes of the Division and evaluated for appropriateness with respect to those purposes.

The Committee recognizes two objectives for Prison Enterprises programs. Some are primarily designed to generate a profit, others to provide vocational training for inmates. Several secondary benefits are derived from both types of programs. Such benefits include reduction of idleness among inmates, provision of needed services, and reduced costs to the state and other public entities such as hospitals.

The Committee has found that when an activity engaged in by Prison Enterprises has a detrimental effect on private industry, it should not be allowed to continue with a major

emphasis on the profit to be derived from it. This situation has been discussed already with respect to stainless steel fabrication and furniture manufacturing. The Committee feels that these activities can be continued in such a manner as to derive benefits other than monetary profits by reducing production sufficiently to protect the private businesses in these fields.

The Committee feels that all new activities of the Prison Enterprises Division should receive this type of consideration, and all activities should be subject to re-examination at regular intervals on a continuous basis.

4. Chapter 730 of the 1975 Session Laws does not establish sufficient controls on the operations of the Division.

An effort was made during the last session of the General Assembly to vest the Advisory Budget Commission with supervisory authority over the Prison Enterprises Division. Chapter 730 of the 1975 Session Laws (Senate Bill 806, Appendix C) requires regular reports to be submitted to the Advisory Budget Commission of the activities of the Prison Enterprises Division and requires the Division to get the "prior approval" of the Advisory Budget Commission for any activity involving competition with private industry which is not authorized by statute.

It has been noted that an opinion of the Attorney General on Chapter 730 was requested by the Committee and issued by the Attorney General. (See Appendix C.) The opinion points out

several ambiguities arising from the language used in the legislation, especially the language dealing with the time when the various requirements go into effect.

There is, however, a more fundamental deficiency with the new requirements. In directing that approval by the Advisory Budget Commission be obtained for operations of Prison Enterprises, no guidance is given to the Commission concerning criteria to be used in deciding whether to grant or withhold approval. The Committee has also found that the Advisory Budget Commission may not be the most effective repository for such regulatory power; perhaps direct supervision by the General Assembly through the budgetary process would be more effective. In either case, however, the decision to grant or withhold approval of any activity of the Division should be made in light of an expressed set of goals for the Prison Enterprises Division. The Committee's findings with respect to these objectives are discussed in Finding 3 above.

5. The operations of the Prison Enterprises Division do result in a savings to the citizens of North Carolina.

The Committee found that the operations of the Prison Enterprises Division benefit the citizens of the state through a number of channels. Because of the basically nonexistent labor costs, goods and services produced by Prison Enterprises are cheaper than those to be found on the open market. Some of these products are marketed to cities and towns through the

League of Municipalities. The products made available through the League, as shown in the current catalogue, are automobile license plates, mattresses and pillows, park benches, police batons, soaps and cleansers, street name signs, survey stakes and hubs, templates, traffic paint, traffic signs, trash receptacle tops, and zoning administration forms. Some products provided to hospitals help hold down the spiraling costs of hospitalization.

Many of the activities of the Prison Enterprises Division are aimed directly at the maintenance of the prison system. This use of inmate labor reduces the cost of supporting incarcerated criminals to the taxpayers of the state.

At the present, profits generated by the Division go into the "Revolving Fund." As mentioned previously, no Governor has ever exercised his authority to remove excess monies and return them to the General Fund. The profits have been put into expansion of activities. It may be more practical, however, in the future, to return this money to the General Fund, thereby creating another indirect benefit to the citizens of North Carolina.

6. The approval of the General Assembly should be required for all capital improvements undertaken by Prison Enterprises.

Attempts to establish supervisory control over the Prison Enterprises Division have, in the past, looked to the Advisory Budget Commission as the most appropriate entity to exercise this authority. The Committee has found that in delegating

authority such as this, a set of criteria for the exercise of this authority is necessary. The problems encountered in legislating philosophy, however, are many.

The goals of the Prison Enterprises Division have changed over the years. At one time, the Division was directed to make the prison system as nearly self-supporting as possible. The Committee recognizes, and has already stated, that several policies must be balanced in deciding what activities the Prison Enterprises Division should be involved in. Further analysis is needed to determine whether a given activity should be engaged in for profit, or if production should be held to a minimum while emphasizing the training aspects of the program.

These and similar difficulties have lead the Committee to the conclusion that the General Assembly is best equipped to determine what path expansion of the Prison Enterprises Division should take. This approach will obviously slow down the expansion process, but will hopefully assure that any expansion that takes place will have been carefully thought out in advance.

### III. RECOMMENDATIONS

The Legislative Research Commission Committee on the Prison Enterprises Division of the Department of Correction, after a complete review of the data it has collected, and in light of the findings it has made, makes the following recommendations:

1. Several changes should be made in the financial structure of the Prison Enterprises Division so that capital expenditures will require the approval of the General Assembly and money not needed for operations of the Division will be returned to the General Fund. (See Legislative Proposal I, Appendix H.)

The Committee recommends that G.S. 148-2(b) be rewritten to accomplish several changes. The first change involves the character of the Prison Enterprises Fund. Presently, the Fund may be used for both operating expenses and capital improvements. The Committee recommends redefinition of the Fund to leave only an operating account. The money would still be used for the expenses of operating the Division, but not for capital improvements. The General Assembly would have to approve and appropriate funds for any new buildings. This type of expansion needs only the approval of the Advisory Budget Commission now. The Advisory Budget Commission can be expected to approve most capital expenditures in light of the fact that no money is being requested; it is already available in the Prison Enterprises Fund. The need for

an appropriation by the General Assembly would guarantee careful scrutiny of expansion of Division operations.

The other major change recommended in G.S. 148-2(b) concerns the Governor's authority to remove excess money from the Prison Enterprises Fund, a heretofore unexercised power. The Committee recommends changing this authority to a mandate, and placing the burden of determining when such an excess exists upon the State Auditor. Several important things would be accomplished by this change. Profits generated by the Division would more directly benefit the citizens of North Carolina because these profits would become part of the General Fund. The increased involvement of the State Auditor in the finances of the Division would provide the generally higher degree of accountability that the Committee feels is in order for the Prison Enterprises Division.

2. The approval of the General Assembly should be required for the beginning of any new operations or the substantial expansion of existing operations of the Prison Enterprises Division. (See Legislative Proposal II, Appendix I. NOTE: The statutory changes necessary to effectuate recommendations 2, 5, and 7 are all contained in Legislative Proposal II.)

Legislative Proposal II would rewrite G.S. 66-58(f) which was enacted as part of Chapter 730 of the 1975 Session Laws. One of the major changes would require the Department of Correction to seek the approval of the General Assembly before engaging in new operations or expanding existing ones. This

change is consistent with Recommendation 1 which emphasized the importance of having the General Assembly weigh the appropriateness of Prison Enterprise activities in light of an expressed set of purposes for the Division. As all new programs would not entail capital expenditures, the Committee recommends this separate requirement for approval of the General Assembly.

3. The ownership of motor vehicles owned by the Prison Enterprises Fund and leased to other divisions of the Department of Correction should be transferred to the Department of Correction. (See Legislative Proposal III, Appendix J.)

The Committee has found that the existing motor vehicle leasing operation conducted by Prison Enterprises has serious effects on the budgetary process. It has been noted that Prison Enterprise money was, in effect, subsidizing the Department of Correction budget for the 1974-75 fiscal year by leasing motor vehicles at a loss of over \$100,000. The Committee feels that this leasing mechanism transfers the final decision-making authority from the General Assembly to Prison Enterprises with respect to the amount of money spent by the Department of Correction for the operation of motor vehicles.

The Committee recommends placing the ownership of these vehicles with the Department of Correction. The Department would then have to receive sufficient appropriations from the General Assembly to operate the vehicles. The Department would have to justify the use of all vehicles to receive this appropriation. Legislative Proposal III would accomplish the recommended transfer.

4. The State Auditor should evaluate the Prison Enterprises Fund as soon as possible and inform the Director of the Budget of the current excess in the Fund.

Recommendation 1, discussed above, would establish the mechanism by which excess money could be transferred from the Prison Enterprises Fund to the General Fund. In view of the projected revenue shortfall during the current fiscal year, the Committee feels that the State Auditor should recommend the appropriate transfer as soon as possible.

5. The operations of the Prison Enterprises Division in the areas of furniture manufacturing and stainless steel fabrication should be conducted so as to emphasize vocational training while keeping production to a minimum. (See Legislative Proposal II, Appendix I.)

The Committee has found that the value of these two programs must be balanced against the potential for adverse impact upon private industry. The second significant change contained in Legislative Proposal II would authorize the Advisory Budget Commission to order the cessation of operations in furniture manufacturing or stainless steel fabrication upon a finding that the production of either operation has exceeded the minimum necessary to support a viable training program. The order to cease operations would not be permanent, but would be in effect pending review by the General Assembly.

The Committee feels that the recommended change would not call for exercise of unguided discretion by the Advisory Budget Commission, a weakness in the present law, but would call for a judgment as to the existence of a given state of affairs. The underlying decision will have been made by the General Assembly: that these two operations are to be engaged in only for the purpose of vocational training. The Advisory Budget Commission is merely called upon to see that this decision is carried out.

6. The instructors provided by Catawba Valley Technical Institute for the furniture manufacturing training program should have the authority to determine which items of furniture are constructed during the course of the program. (See Legislative Proposal IV, Appendix K.)

The Committee has found it to be in the best interest of the citizens of North Carolina to continue the furniture manufacturing training program with the sole purpose of teaching inmates marketable vocational skills, while keeping production to the lowest possible level. The Committee feels that the instructional value to be derived from making a particular item of furniture should be the determinative factor in deciding to include the item in the curriculum. The availability of a willing purchaser, or the absence of one, should not be given any consideration.

The persons best qualified to decide which pieces of furniture are best suited to the training program are the instructors provided by the Catawba Valley Technical Institute.

These men have the responsibility for teaching the appropriate skills to their students; it is fitting that they have sufficient control over all facets of the course to enable them to do a good job. Legislative Proposal IV would create a new G.S. Section 148-70.1 to give the instructors this authority.

7. The ambiguities in Chapter 730 of the 1975 Session Laws should be resolved. (See Legislative Proposal II, Appendix I.)

The Committee has found differing opinions as to the requirements placed upon the Department of Correction in G.S. 66-58(f) which is part of Chapter 730 of the 1975 Session Laws. The major difficulties should be resolved by the proposed shifting of most responsibility from the Advisory Budget Commission to the General Assembly and by defining more carefully that authority still delegated to the Advisory Budget Commission.

Some of the confusion, however, was generated by the language specifying when reports should be made and at what time the provisions went into effect. Because the Department of Correction would still be required to make quarterly reports to the Advisory Budget Commission, the Committee concluded that any ambiguities should be resolved. Therefore, the proposed legislation retains the requirement of quarterly reports, but neither specifies the date of the first report nor makes any mention of the fiscal year. The first report would thus be due during the first quarter after the effective date of the act. The Committee recommends this change to insure an understanding on the part of the officials of the Department of Correction of the requirements placed upon them.

APPENDIX A



QUESTIONS RELATING TO THE PRISON ENTERPRISES DIVISION

1. In what industries is Prison Enterprises involved?
2. Involvement in which industries has provoked criticism from private industry?
3. To what extent are the products produced by Prison Enterprises being used to satisfy non-state needs?..
4. What is the financial structure of the Prison Enterprises Division? What is the final distribution of any profits which may derive from operation of the Division?
5. In what other industries, which would directly benefit the State, could the Division get involved?



## LEGISLATIVE RESEARCH COMMISSION MEMBERS

1975-76

| <u>Name</u>                           | <u>Business Address</u>  | <u>Phone</u>   |
|---------------------------------------|--|----------------|
| Speaker James C. Green<br>Co-Chairman | Box 185<br>Clarkton, N. C. 28433                               | (919) 647-4191 |
| Sen. John T. Henley<br>Co-Chairman    | 200 S. Main Street<br>Hope Mills, N. C. 28348                  | (919) 424-0261 |
| Sen. Bob L. Barker                    | P. O. Box 30369<br>Raleigh, N. C. 27612                        | (919) 782-1314 |
| Sen. Luther J. Britt, Jr.             | P. O. Box 1015<br>Lumberton, N. C. 28358                       | (919) 739-2331 |
| Sen. Cecil James Hill                 | The Legal Bldg.<br>Brevard, N. C. 28712                        | (704) 824-4113 |
| Sen. William D. Mills                 | P. O. Box 385<br>Swansboro, N. C. 28584                        | (919) 326-8743 |
| Rep. Glenn A. Morris                  | P. O. Box 1111<br>Marion, N. C. 28752                          | (704) 652-2455 |
| Rep. Liston B. Ramsey                 | Marshall, N. C. 28753  | (704) 649-3261 |
| Rep. Hector E. Ray                    | 310 Green Street<br>Fayetteville, N.C. 28303                   | (919) 483-8188 |
| Rep. J. Guy Revelle, Sr.              | Route 1, Box 123<br>Conway, N. C. 27820                        | (919) 587-4237 |
| Rep. Thomas B. Sawyer                 | Suite 527-528<br>Northwestern Bldg.<br>Greensboro, N. C. 27401 | (919) 275-4150 |
| Sen. Willis P. Whichard               | P. O. Box 3843<br>Durham, N. C. 27702                          | (919) 682-5654 |



INMATE LABOR AND PRISON ENTERPRISES

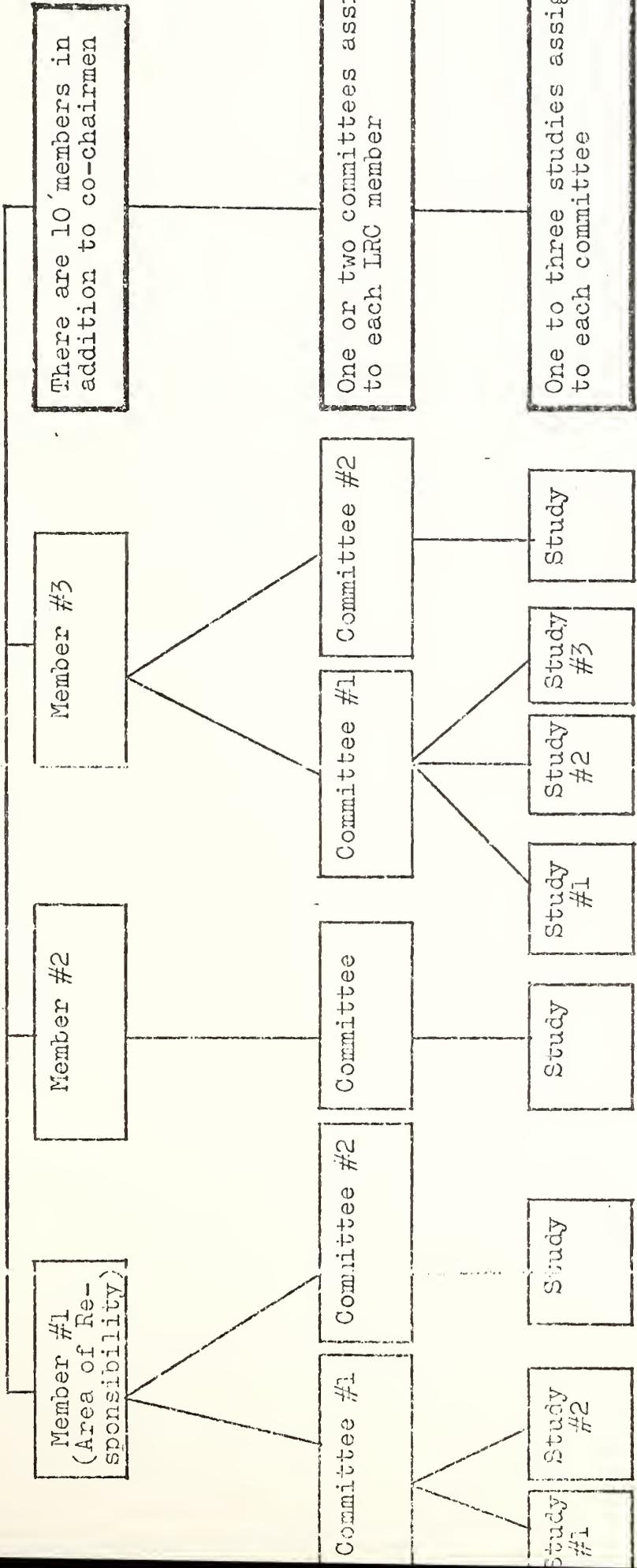
| <u>Name</u>                           | <u>Business Address</u>                             | <u>Phone</u>   |
|---------------------------------------|---|----------------|
| Sen. Glenn R. Jernigan<br>Co-Chairman | Box 1863<br>Wayetteville, N.C. 28302                | (919) 323-0415 |
| Rep. Edward S. Holmes<br>Co-Chairman  | Box 126<br>Pittsboro, N.C. 27312                    | (919) 542-3232 |
| Sen. Marshall A. Rauch                | Box 609<br>Gastonia, N. C. 28052                    | (704) 867-5000 |
| Sen. Carl D. Totherow                 | 710 Coliseum Drive<br>Winston-Salem, N. C. 27100    | (919) 723-1031 |
| Sen. J. Wade Walsh                    | 811 Wild Cherry Pl., N.W.<br>Lenoir, N. C. 28645    | (704) 754-3297 |
| Rep. Foyle Hightower, Jr.             | Route 2, Box 2<br>Wadesboro, N.C. 28170             | (704) 694-2515 |
| Rep. Dwight W. Quinn                  | Cannon Mills Co.<br>Kannapolis, N. C. 28081         | (704) 933-1221 |
| Rep. Charles E. Webb                  | Friendly Shopping Center<br>Greensboro, N. C. 27408 | (919) 294-0460 |

Paul Stock -- Committee Staff  
Legislative Services Office  
829-2578

Senator Luther Britt -- Legislative Research Commission Member  
Post Office Box 1015  
Lumberton, North Carolina  
739-2331



LEGISLATIVE RESEARCH COMMISSION  
Senator Henley    Speaker Green  
Co-chairmen



There are 10 members in addition to co-chairmen

One or two committees assigned to each IRC member

One to three studies assigned to each committee



LEGISLATIVE RESEARCH COMMISSION

Senator Luther Britt  
(Department of Corrections Matters)

Committee #1  
Sen. Glenn Jernigan, Co-chairman  
Rep. Ed Holmes, Co-chairman  
Rep. Foyle Hightower  
Rep. Dwight Quinn  
Rep. Charlie Webb  
Sen. Marshall Rauch  
Sen. Carl Totherow  
Sen. Wade Walsh

Study #1  
Inmate  
Labor

Study #2  
Prison  
Enterprises

Committee #2

Study #1

Study #2



GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 1975



HOUSE RESOLUTION 1265

**NOTE: NOT RATIFIED  
FOR INFORMATION ONLY**

Sponsors: Representatives Holmes of Chatham; Creech, Ray,

Rountree, Brown, and Helms.

Referred to: Rules.

June 17, 1975

1 A HOUSE RESOLUTION DIRECTING THE LEGISLATIVE RESEARCH COMMISSION  
2 TO STUDY THE OPERATION OF THE NORTH CAROLINA DEPARTMENT OF  
3 CORRECTION'S PRISON ENTERPRISES DIVISION.

4 Whereas, the North Carolina Department of Correction  
5 through its Prison Enterprises Division operates a program  
6 designed (1) to produce, at low cost, goods and services needed  
7 by State government agencies through employment of cost-free  
8 inmate labor, and (2) to provide vocational training for inmates  
9 to learn skills that will help them find employment upon their  
10 release from prison; and,

11 Whereas, Prison Enterprises operates various  
12 manufacturing and production facilities including the printing  
13 plant, central duplication service, paint plant, woodworking  
14 plant, sewing plant, license tag plant, metal products plant,  
15 furniture plant, sign plant, soap plant, and mattress factory;  
16 and

17 Whereas, it is desirable that Prison Enterprises be  
18 managed so as not to jeopardize privately operated businesses;  
19 and

1           Whereas, it appears that Prison Enterprises may be  
2 expanding beyond the level of operation contemplated in its  
3 original design;

4 Now, therefore, be it resolved by the House of Representatives:

5           Section 1. The Legislative Research Commission (G.S.  
6 120-30.10 et seq) is directed to study the operation of the North  
7 Carolina Department of Correction's Prison Enterprises Division.

8           Sec. 2. The commission study shall include an  
9 investigation of Prison Enterprises' relationship to privately  
10 operated businesses, of the management goals of the Department of  
11 Correction in this division, and of the attitudes of private  
12 business interest in competition with Prison Enterprises.

13           Sec. 3. This resolution shall become effective upon  
14 adoption.

APPENDIX B



PERSONS APPEARING BEFORE THE COMMITTEE

Donald P. Torppa  
Deputy Secretary  
Department of Correction

W. L. Kautzky  
Assistant Director of Prisons  
Department of Correction

James G. Marvin  
Director of Operating Services  
Department of Correction

Eric Widmann  
Controller  
Department of Correction

Reece Byrd  
Prison Enterprises  
Department of Correction

Charles Morris  
Stainless Steel Fabricators

I. J. Green  
Montgomery-Green Company

John Marston  
North Carolina Hospital Association

W. T. Ashley  
President  
Government in Business Council, Inc.

G. Wesley Williams  
Government in Business Council, Inc.

James D. Ray  
Government in Business Council, Inc.

Herbert Ruffin  
Government in Business Council, Inc.

Jim Gregson  
Government in Business Council, Inc.

F. J. Boling, Jr.  
Government in Business Council, Inc.

Harry Adams  
Government in Business Council, Inc.

Ken Turner  
Government in Business Council, Inc.

Ernest Ball  
North Carolina League of Municipalities

Ned Davis  
Office of the State Auditor

Jack Cozort  
Associate Attorney General  
Department of Justice

I. B. Southerland  
Vice President for Institutional Services  
Department of Community Colleges

Hugh E. Battle, Jr.  
Associate Vice President for  
Institutional Services  
Department of Community Colleges

Robert Paap  
President  
Catawba Valley Technical Institute

Robert Bliss  
Chairman, Furniture Training Program  
Catawba Valley Technical Institute

Ray Denton  
Instructor  
Catawba Valley Technical Institute

Johnny Harrison  
Instructor  
Catawba Valley Technical Institute

Ned Donnelly  
Southern Furniture Manufacturers Association

APPENDIX C



# GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 1975

RATIFIED BILL

CHAPTER 730

SENATE BILL 806

AN ACT TO LIMIT DEPARTMENT OF CORRECTION IN ESTABLISHMENT AND SUPERVISION OF MANUFACTURING AND INDUSTRY.

The General Assembly of North Carolina enacts:

Section 1. The first paragraph of G.S. 148-70 as the same appears in the permanent Volume 3C of the General Statutes is hereby rewritten to read as follows:

"The State Department of Correction in all contracts for labor shall provide for feeding and clothing the inmates and shall maintain, control and guard the quarters in which the inmates live during the time of the contracts; and the Department shall provide for the guarding and working of such inmates under its sole supervision and control. The Department may make such contracts for the hire of the inmates confined in the State prison as may in its discretion be proper. In accordance with the provisions of Article 11 of Chapter 66 of the General Statutes, the Department may use the labor of inmates confined in the State prison in work on farms and manufacturing, either within or without the State prison. The Department may dispose of the products of the labor of the inmates, either in farming or in manufacturing or in other industry at the State prison system, to or for any public institution owned, managed, or controlled by the State, or to or for any county, city or town in the State. Provided however, no manufacturing or other industry shall be

established, supervised or controlled by the Department unless specifically approved by the Advisory Budget Commission pursuant to G.S. 66-58(f)."

Sec. 2. G.S. 148-8 is hereby redesignated as a new subdivision (15) of subsection (b) of G.S. 66-58, and is amended by adding in line 3 of G.S. 148-8 between the word "tags" and the word "and" the words "for the State and local governments".

Sec. 3. G.S. 148-8.1 is hereby redesignated as a new subdivision (16) of subsection (b) of G.S. 66-58.

Sec. 4. G.S. 66-58 is hereby amended to add three new parts to subsection (c) to read as follows:

"(13) The operation by the Department of Correction of forestry management programs on State-owned lands, including the sale on the open market of timber cut as a part of such management program.

(14) The operation by the Department of Correction of facilities to manufacture and produce traffic and street name signs for use on the public streets and highways of the State.

(15) The operation by the Department of Correction of facilities to manufacture and produce paint for use on the public streets and highways of the State."

Sec. 5. G.S. 66-58 is hereby amended by adding a new subparagraph (f) to read as follows:

"(f) Notwithstanding the provisions of G.S. 66-58(a), the operation by the Department of Correction of facilities for the manufacture of any product or the providing of any service pursuant to G.S. 148-70 not regulated by the provisions of subsection (c) hereof, shall be subject to the prior approval of

the Advisory Budget Commission, with biennial review by the General Assembly, at the beginning of each fiscal year commencing after the effective date of this act. The Department of Correction shall file with the Director of the Budget quarterly reports detailing prison enterprise operations in such a format as shall be required by the Advisory Budget Commission."

Sec. 6. This act shall become effective on October 1, 1975.

In the General Assembly read three times and ratified, this the 24<sup>th</sup> day of June, 1975.

JAMES B. HUNT, JR.

-----  
James B. Hunt, Jr.

President of the Senate

JAMES C. GREEN, SR.

-----  
James C. Green, Sr.

Speaker of the House of Representatives



APPENDIX D





State of North Carolina

Department of Justice

P. O. Box 629

RALEIGH

27602

February 17, 1976

Senator Glenn R. Jernigan  
Representative Edward S. Holmes  
Co-Chairmen, Legislative Research Comm.  
Committee on the Prison Enterprises Div.  
State Legislative Building  
Raleigh, North Carolina 27611

Re: Interpretation of  
N.C. General Statutes  
66-58 and 148-70

Gentlemen:

Your request of January 29, 1976, addressed to Attorney General Rufus Edmisten requesting an opinion on the effect of Chapter 730 of the 1975 Session Laws has been referred to the undersigned for reply.

The effect of Chapter 730 is to require that the Advisory Budget Commission oversee the operation of the Prison Enterprises Division through the use of two procedures: (1) prior approval by the Advisory Budget Commission of planned activities for Prison Enterprises, and (2) the filing with the Director of the Budget quarterly reports detailing Prison Enterprise Operations in such a format as shall be required by the Advisory Budget Commission. Although the specific provisions of Chapter 730 may be subject to differing interpretations, it appears that the intent of the General Assembly in passing this piece of legislation was to prevent the Prison Enterprises Division from engaging

Senator Glenn R. Jernigan  
Representative Edward S. Holmes  
Page 2  
February 17, 1976

in new manufacturing or service activities without approval of the Advisory Budget Commission. Therefore, the Prison Enterprises Division is accountable to the Advisory Budget Commission for prior approval of new activities and prior approval for capital expansion of existing activities, as well as quarterly review by the Advisory Budget Commission of all Prison Enterprise operations.

Although Section 6 of Senate Bill 806 states that the act shall become effective on October 1, 1975, it is apparent that, for all intents and purposes, the responsibilities of the Prison Enterprises Division and the Advisory Budget Commission created by the act will commence at beginning of the fiscal year commencing after October 1, 1975. This conclusion is drawn from Section 5 of Senate Bill 806 which says, in part, that operations of the Prison Enterprises Division "shall be subject to the prior approval of the Advisory Budget Commission, with biennial review by the General Assembly, at the beginning of each fiscal year commencing after the effective date of this act." Thus it seems that July 1, 1976, is the date when the bill actually takes effect.

With these general principles in mind, the answers to your specific questions become more ascertainable.

1. What procedure is now required of the Department of Correction with respect to activities of the Prison Enterprises Division begun prior to the effective date of Chapter 730 of the 1975 Session Laws?

CONCLUSION:

The Prison Enterprises Division must now submit a report of existing activities and planned continuation of activities in a format prescribed by the Advisory Budget Commission.

DISCUSSION:

The Department of Correction has submitted to the State Budget Office monthly financial statements which show, among other things, inventories and sales of the Prison Enterprises .

Senator Glenn R. Jernigan  
Representative Edward S. Holmes  
Page 3  
February 17, 1976

Division. In addition, the Department of Correction, after the enactment of Chapter 730 of the 1975 Session Laws, sent to the State Budget Office a summary of sales and profits for the Prison Enterprises Division covering the fiscal year 1974-1975. This report showed sales and profits for both the entire Prison Enterprises System and for each activity within the system. Since the State Budget Office has not asked for a more detailed report than the one submitted by the Department of Correction, it is apparent that the State Budget Office considers the effective date of the bill to be July 1, 1976. Thus it would seem that the burden is now on the Advisory Budget Commission and the State Budget Office to develop a format for the Department of Correction to report on activities of the Prison Enterprises Division begun prior to the effective date of Chapter 730 of the 1975 Session Laws. Until the State Budget Office and the Advisory Budget Commission develop a format, it would seem that the monthly reports now being submitted by the Prison Enterprises Division to the State Budget Office would comply with the terms of Chapter 730.

2. What procedure is now required of the Department of Correction with respect to the expansion, especially through capital investment, of activities of the Prison Enterprises Division begun prior to the effective date of Chapter 730 of the 1975 Session Laws?

CONCLUSION:

Plans for expansion of Prison Enterprises activities must be submitted to and approved by the Advisory Budget Commission before the activities are expanded.

DISCUSSION:

The clear intent of Chapter 730 is to maintain Prison Enterprises operating at its current level unless expansion or new activities are approved by the Advisory Budget Commission. These provisions seem to mean that

Senator Glenn R. Jernigan  
Representative Edward S. Holmes  
Page 4  
February 17, 1976

activities by the Prison Enterprises Division which are not provided for under GS, 66-58 (b) and (c) may not be expanded unless approved by the Advisory Budget Commission. In practical terms, mere inflationary increases or increases due to increased demand--increases which do not result in true capital expansion--should not be covered by the act, because they are actually part of the regular operation, and not expanded activities. One key question here concerns when the Department of Correction must seek Advisory Budget Commission approval of capital expansion of existing programs. According to Section 5 of Chapter 730, prior approval of the Advisory Budget Commission must be "at the beginning of each fiscal year commencing after the effective date of this act." When read singly, this provision appears to indicate that the Department of Correction must submit all planned expansion or new activities to the Advisory Budget Commission before the beginning of each fiscal year. However, an interpretation of this sort is not consistent with the rest of the act. When the entire act is read in context, it is apparent that the real intent of the bill is to insure that expansion of existing activities and new activities are submitted to the Advisory Budget Commission for review before they are begun. Therefore, it would seem that the Department of Correction may submit a plan of expansion or new activity to the Advisory Budget Commission at any of its scheduled meetings. Thus, before the activity is begun, the Advisory Budget Commission would have a chance to review the proposal and either approve or disapprove. It is submitted that this procedure would provide effective compliance with the act.

3. What procedure is required of the Department of Correction with respect to involvement of the Prison Enterprises Division in new activities begun after the effective date of Chapter 730 of the 1975 Session Laws?

CONCLUSION:

New activities must be approved by the Advisory Budget Commission before they are begun.

DISCUSSION:

The Department of Correction should follow the same procedure for seeking Advisory Budget Commission approval of new programs as they would for seeking approval of

Senator Glenn R. Jernigan  
Representative Edward S. Holmes  
Page 5  
February 17, 1976

expanded activities as discussed under Question 3. Those activities permitted under G.S. 66-58(b) and (c) are, of course, excluded from Advisory Budget Commission approval procedures.

4. What periodic reporting requirements are placed on the Department of Correction by Chapter 730 of the 1975 Session Laws?

CONCLUSION:

The Department of Correction must submit quarterly reports detailing Prison Enterprises operations in a format as required by the Advisory Budget Commission.

DISCUSSION:

This reporting requirement is the second major procedure created by Chapter 730. Due to the somewhat ambiguous language of the Statute, these reporting requirements will not go into effect until the beginning of the next fiscal year, July 1, 1976. Sometime prior to July 1, 1976, the Advisory Budget Commission must indicate to the Department of Correction what kind of quarterly reports the Department of Correction must submit. This procedure will serve the overall purpose of the act, which is to have the Advisory Budget Commission oversee the activities of the Prison Enterprises Division.

5. What responsibilities are placed on the Advisory Budget Commission by Chapter 730 of the 1975 Session Laws with respect to the activities of the Prison Enterprises Division?

CONCLUSION:

The Advisory Budget Commission must either approve or disapprove expansion of current activities or beginning of new activities in the Prison Enterprises Division which are not covered by G.S. 66-58(b) and (c). Furthermore, the

Senator Glenn R. Jernigan  
Representative Edward S. Holmes  
Page 6  
February 17, 1976

Advisory Budget Commission must review, on a quarterly basis, the operation of the Prison Enterprises Division.

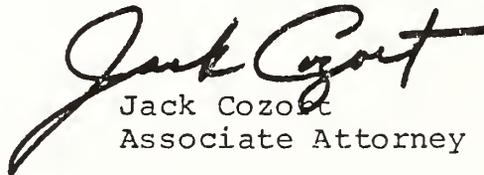
DISCUSSION:

The general language of this act seems to give a great deal of discretion to the Advisory Budget Commission. When proposals for expansion or new activities are submitted to the Advisory Budget Commission by the Department of Correction, the Advisory Budget Commission has a duty to act on the proposal, either approving or disapproving the plan. No guidelines are established to aid the Advisory Budget Commission in its determinations. Furthermore, the quarterly reporting requirements are left almost entirely to the discretion of the Advisory Budget Commission, since the format of the reporting is to be decided upon by the Commission.

I trust this information has been helpful to you. If we can be of any further assistance, do not hesitate to contact us.

Very truly yours,

RUFUS L. EDMISTEN  
Attorney General

  
Jack Cozart  
Associate Attorney General

JC/mp

APPENDIX E



SUMMARY OF UNITS PRODUCED

FURNITURE ENTERPRISES

(Figures Provided by Department of Correction)

Pieces Manufactured

|                    |             |
|--------------------|-------------|
| Straight Chairs    | 101         |
| Barrel Back Chairs | 65          |
| Lounge Chairs      | 7           |
| Love Seats         | 7           |
| Sofas              | 9           |
| Judges Chairs      | 2           |
| Executive Chairs   | 14          |
| Hospital Chairs    | 2           |
|                    | <hr/>       |
| TOTAL              | 207         |
|                    | <hr/> <hr/> |

Pieces Reupholstered

|            |             |
|------------|-------------|
| Chairs     | 361         |
| Sofas      | 53          |
| Love Seats | 8           |
|            | <hr/>       |
| TOTAL      | 422         |
|            | <hr/> <hr/> |

PROJECTED FUTURE PRODUCTION

FURNITURE ENTERPRISES

(Figures Provided by Department of Correction)

Upholstery School

|                            |                   |
|----------------------------|-------------------|
| New Pieces (chairs, sofas) | 540               |
| Reupholstered Pieces       | <u>400</u>        |
| TOTAL                      | <u><u>940</u></u> |

Furniture Plant

|                                |                     |
|--------------------------------|---------------------|
| Frames (for Upholstery Plant)  | 500                 |
| Office Desks                   | 75                  |
| Miscellaneous Office Furniture | 200                 |
| Library Shelves                | <u>300</u>          |
| TOTAL                          | <u><u>1,075</u></u> |

APPENDIX F



### *Farming Out Convicts.*

§ 148-70. Management and care of inmates; prison industries; disposition of products of inmate labor. — The State Department of Correction in all contracts for labor shall provide for feeding and clothing the inmates and shall maintain, control and guard the quarters in which the inmates live during the time of the contracts; and the Department shall provide for the guarding and working of such inmates under its sole supervision and control. The Department may make such contracts for the hire of the inmates confined in the State prison as may in its discretion be proper. In accordance with the provisions of Article 11 of Chapter 66 of the General Statutes, the Department may use the labor of inmates confined in the State prison in work on farms and manufacturing, either within or without the State prison. The Department may dispose of the products of the labor of the inmates, either in farming or in manufacturing or in other industry at the State prison system, to or for any public institution owned, managed, or controlled by the State, or to or for any county, city or town in the State. Provided however, no manufacturing or other industry shall be established, supervised or controlled by the Department unless specifically approved by the Advisory Budget Commission pursuant to G.S. 66-58(f).

All departments, institutions and agencies of this State which are supported in whole or in part by the State shall give preference to Department of Correction products in purchasing articles and commodities which these departments, institutions, and agencies require and which are manufactured or produced within the State prison system and offered for sale to them by the Department of Correction, and no article or commodity available from the Department of Correction shall be purchased by any such State department, institution, or agency from any other source without permission of the board of award provided for in G.S. 148-52, unless the prison product does not meet the standard specifications and the reasonable requirements of the department, institution, or agency as determined by the board of award, or the requisition cannot be complied with because of an insufficient supply of the articles or commodities required. The provisions of Article 3 of Chapter 143 of the General Statutes respecting contracting for the purchase of all supplies, materials and equipment required by the State government or any of its departments, institutions or agencies under competitive bidding shall not apply to articles or commodities available from the Department of Correction, but the Department of Correction shall be required to keep the price of such articles or commodities substantially in accord with that paid by governmental agencies for similar articles and commodities of equivalent quality as determined by the board of award or with competitive bids which the board of award may in its discretion require, taking into consideration the best interest of the State as a whole. (1917, c. 286, s. 2; 1919, c. 80, s. 1; C. S., s. 7762; 1925, c. 163; 1931, c. 145, s. 35; 1933, c. 172, s. 18; 1957, c. 349, s. 10; 1959, c. 170, s. 2; 1967, c. 996, s. 13; 1975, c. 730, s. 1.)

**Editor's Note. —**  
The 1975 amendment, effective Oct. 1, 1975, rewrote the first paragraph.

Section 148-52 as rewritten by Session Laws 1971, c. 587, s. 1, no longer provides for a board of award.



APPENDIX G



PRISON ENTERPRISES FISCAL YEAR '74 - '75

SALES & PROFITS

| <u>Activities</u>                   | <u>Sales</u> | <u>Profits</u> | <u>No. of Inmates</u> | <u>No. of Employees</u> | <u>Products</u>              | <u>Source of Sales</u>                  | <u>Fixed Assets (Excl. Bldgs.)</u> | <u>Inventory</u> |
|-------------------------------------|--------------|----------------|-----------------------|-------------------------|------------------------------|---|------------------------------------|------------------|
| License Tag Plant                   | \$ 2,635,641 | \$ 414,670     | 52                    | 7                       | Metal Tags                   | Dept. of Motor Vehicles Municipalities  | \$ 109,655                         | \$ 530,709       |
| Paint Shop                          | 4,394,494    | 601,583        | 28                    | 7                       | Paint                        | DOI Municipalities                      | 98,017                             | 395,238          |
| Print Shop                          | 505,803      | (46,629)       | 78                    | 12                      | Forms, Letters, etc.         | Various State Agencies                  | 247,076                            | 239,169          |
| Sign Shop                           | 1,468,920    | 288,376        | 43                    | 8                       | Signs                        | Highway Dept. Municipalities            | 248,076                            | 984,094          |
| Office Machine Repair               | 31,818       | (1,106)        | 8                     | 2                       | Repair Service               | DOC State Agencies                      | 2,095                              | -                |
| Central Duplicating                 | 319,547      | 66,216         | 35                    | 6                       | Copy Reproduction            | DOC State Agencies                      | 32,712                             | 19,668           |
| Woodworking (Lost time due to fire) | 62,613       | (17,561)       | 18                    | 2                       | Pallets, Tables, Refinishing | Federal Surplus State Agencies          | 8,360                              | 23,903           |
| Tailoring (4 months operation)      | 26,565       | 284            | 33                    | 2                       | Uniforms, Shirts, Pants      | 100% DOC                                | 15,251                             | 33,601           |
| Sewing                              | 462,620      | 92,494         | 75                    | 5                       | Dresses, Shirts, etc.        | DOC                                     | 17,783                             | 245,959          |
| Mattress Plant                      | 57,017       | 19,400         | 10                    | 1                       | Mattresses                   | DOC                                     | 14                                 | 7,101            |
| Soap Plant                          | 421,438      | 30,598         | 39                    | 3                       | Soap Products                | DOC, Schools, State Hospitals           | 78,777                             | 224,094          |
| Metal Products                      | 300,881      | 48,107         | 37                    | 4                       | Kitchen Equip., Duct work    | DOC, Vocational Schools, Public Schools | 59,950                             | 116,139          |



| <u>Activities</u>                          | <u>Sales</u> | <u>Profits</u> | <u>No. of Inmates</u> | <u>No. of Employees</u> | <u>Products</u>                          | <u>Source of Sales</u>  | <u>Fixed Assets (Excl. Bldgs.)</u> | <u>Inventory</u> |
|--|--------------|----------------|-----------------------|-------------------------|--|---|------------------------------------|------------------|
| urniture<br>5 months limited<br>operation) | \$ 10,030    | \$ (1,625)     | 23                    | 2                       | Office Chairs, Straight<br>Chairs, Sofas | State Agencies<br>Municipalities<br>Schools                                 | \$ 4,007                           | \$ 13,210        |
| Caledonia Laundry                          | 165,801      | 5,641          | 58                    | 6                       | Laundry                                  | Prison Units<br>Nash Hospital<br>Halifax Hospital                           | 189,275                            | 1,222            |
| NCCGW Laundry                              | 192,643      | 20,433         | 68                    | 7                       | Laundry                                  | Prison Units<br>Franklin Hosp.<br>Eastern N. C.<br>Sanatorium               | 102,321                            | 4,758            |
| Craggy Laundry                             | 121,590      | 2,809          | 47                    | 5                       | Laundry                                  | Prison Units<br>Western N. C.<br>Sanatorium<br>N. C. Orthopedic<br>Hospital | 66,858                             | 2,147            |
| Wake Memorial Ldry.                        | 88,930       | 50,615         | 34                    | 3                       | Laundry                                  | Wake Hospital   | 694                                | 328              |
| Forsyth Memorial Ldry.                     | 139,903      | 91,393         | 45                    | 3                       | Laundry                                  | Forsyth Hospital  | 7,902                              | 1,290            |
| New Hanover Laundry                        | 84,514       | 45,220         | 31                    | 3                       | Laundry                                  | New Hanover Hosp.   | 5,585                              | 1,878            |
| Sampson Laundry                            | 486,417      | (165,093)      | 113                   | 23                      | Laundry                                  | Prison Units<br>Dorothea Dix Hosp.<br>Cape Fear Valley Hosp.                | 528,677                            | 3,263            |
| Labor Services                             | 36,110       | (5,539)        | 22                    | 2                       | Maint. Labor                             | McCain Sanatorium   | 5,807                              | -                |
| Central Warehouse                          | 5,579,435    | 152,087        | 40                    | 20                      | Distribution                             | DOC   | 99,236                             | 1,891,344        |
| Maintenance &<br>Construction              | -            | (167,095)      | -                     | 8                       | Engineering                              | DOC   | -                                  | -                |
| Transportation &<br>Communications         | 1,226,084    | (104,743)      | 7                     | 5                       | Vehicle Rentals                          | DOC   | 2,308,512                          | 15,645           |
| Meat Processing                            | 2,880,169    | 44,731         | 25                    | 8                       | Meat Products                            | DOC   | 148,150                            | 98,293           |



| <u>Activities</u>        | <u>Sales</u>        | <u>Profits</u>     | <u>No. of Inmates</u> | <u>No. of Employees</u> | <u>Products</u>           | <u>Source of Sales</u>        | <u>Fixed Assets (Excl. Bldgs.)</u> | <u>Inventory</u>   |
|--------------------------|---------------------|--------------------|-----------------------|-------------------------|---------------------------|-------------------------------|------------------------------------|--------------------|
| Caledonia Farm           | \$1,639,609         | \$ 32,309          | 321                   | 31                      | Vegetables, Cattle, Swine | Enterprises<br>Public Auction | \$ 610,209                         | \$1,094,774        |
| Caledonia Cannery        | 591,114             | 114,630            | 93                    | 6                       | Canned Goods              | DOC, Schools                  | 76,093                             | 282,234            |
| Forestry Services        | 7,851               | (37,816)           | -                     | 2                       | Timber                    | Bids                          | 5,266                              | -                  |
| Administrative Positions | -                   | -                  | -                     | 7                       | -                         | -                             | -                                  | -                  |
| <b>TOTALS</b>            | <b>\$23,937,557</b> | <b>\$1,574,389</b> | <b>1,383</b>          | <b>200</b>              |                           |                               | <b>\$5,076,358</b>                 | <b>\$6,230,061</b> |



APPENDIX H



LEGISLATIVE PROPOSAL I

A BILL TO BE ENTITLED

AN ACT TO REWRITE G.S. 148-2(b) RELATING TO THE PRISON  
ENTERPRISES DIVISION.

The General Assembly of North Carolina enacts:

Section 1. G.S. 148-2(b), as it appears in the 1974 Replacement Volume 3C of the General Statutes, is rewritten to read as follows:

"(b) All revenues from the sale of articles and commodities manufactured or produced by prison enterprises shall be deposited with the State Treasurer to be kept and maintained as a special revolving working-capital fund designated 'Prison Enterprises Fund.' The Prison Enterprises Fund shall be used for operating expenditures, including salaries and wages of supervisory personnel, necessary to develop and operate prison industrial and forestry enterprises to provide diversified employment for prisoners. When, in the opinion of the State Auditor, the cash balance in the Prison Enterprises Fund has reached a sum in excess of requirements for working capital, the Director of the Budget shall transfer the excess to the General Fund. The Director of the Budget shall also file with the General Assembly, within thirty days of its convening, a statement of the current condition of the Prison Enterprises Fund, together with a summary of all transfers from the Fund to the General Fund which have been made since the filing of the previous statement."

Sec. 2. This act shall become effective July 1, 1976.



APPENDIX 7



LEGISLATIVE PROPOSAL II

A BILL TO BE ENTITLED

AN ACT TO REWRITE G.S. 66-58(f) DEALING WITH THE ACTIVITIES OF  
THE PRISON ENTERPRISES DIVISION OF THE DEPARTMENT OF CORRECTION  
AND MAKE A CONFORMING CHANGE IN G.S. 148-70.

The General Assembly of North Carolina enacts:

Section 1. G.S. 66-58(f), as it appears in the 1975  
Supplement to Volume 20 of the General Statutes, is rewritten  
to read as follows:

"(f). Notwithstanding the provisions of G.S. 66-58(a), the  
Department of Correction may operate facilities to manufacture  
products and provide services pursuant to G.S. 148-70; provided,  
no new activities shall be undertaken, or existing activities  
expanded, except those regulated by subsections (a) and (c)  
hereof, without the prior approval of the General Assembly.  
Provided further, the Department of Correction shall file with  
the Director of the Budget and the State Auditor quarterly  
reports detailing prison enterprise operations in such a format  
as shall be required by the Advisory Budget Commission. The  
Advisory Budget Commission shall review these reports, giving  
special attention to operations dealing with stainless steel  
fabrication and furniture manufacturing. The Commission shall  
direct the Department of Correction to cease operation of  
facilities for stainless steel fabrication or furniture  
manufacturing, pending review by the General Assembly, when, in  
the opinion of the Commission, the volume of production coming  
from either operation exceeds the minimum product necessary for  
a viable training program."

Sec. 2. G.S. 142-70, as it appears in the 1975 Cumulative Supplement to Volume 30 of the General Statutes, is amended by deleting from the last sentence of the first paragraph the words "specifically approved by the Advisory Budget Commission pursuant to" and substituting in lieu thereof the words "done in accordance with the provisions of".

Sec. 3. This act shall become effective upon ratification.

APPENDIX J



LEGISLATIVE PROPOSAL 111

A BILL TO BE ENTITLED

AN ACT TO TRANSFER MOTOR VEHICLES FROM PRISON ENTERPRISES TO  
THE DEPARTMENT OF CORRECTION.

The General Assembly of North Carolina enacts:

Section 1. As of the effective date of this act, all motor vehicles assigned to, allocated to, owned or controlled by the Prison Enterprises Division of the Department of Correction are transferred to the Department of Correction. The operation, maintenance, and replacement of such vehicles shall be paid for with funds appropriated for those purposes by the General Assembly.

Sec. 2. This act shall become effective July 1, 1977.



APPENDIX K



LEGISLATIVE PROPOSAL IV

A BILL TO BE ENTITLED

AN ACT TO GIVE CATAWBA VALLEY TECHNICAL INSTITUTE INSTRUCTORS  
AUTHORITY TO SELECT FURNITURE PRODUCED AS A BY-PRODUCT OF  
THE PRISON ENTERPRISES FURNITURE MANUFACTURING TRAINING  
PROGRAM.

The General Assembly of North Carolina enacts:

Section 1. A new section is added to the General  
Statutes of North Carolina to be numbered and to read as follows:

"§148-70.1. Instructors select furniture for Prison Enterprises furniture manufacturing training program.---The instructors provided by Catawba Valley Technical Institute to conduct the furniture manufacturing training program for prison enterprises shall have sole authority to determine what items of furniture shall be constructed in the course of the training program. In making this determination, the instructors shall consider only the instructional value to be obtained from the construction of a piece of furniture and shall not consider the disposal of those items produced, such disposal to remain the responsibility of prison enterprises to be accomplished as provided by law. The instructors shall devise a curriculum which will keep the amount of furniture produced to a minimum."

Sec. 2. This act shall become effective upon ratification.





